Report on the

Russell County Commission

Russell County, Alabama

October 1, 2016 through September 30, 2017

Filed: August 6, 2021

Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

21-347

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Russell County Commission, Russell County, Alabama, for the period October 1, 2016 through September 30, 2017. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Tammy D. Shelley
Examiner of Public Accounts

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Table of Contents

Table of Contents

Department of
Examiners of Public Accounts

SUMMARY

Russell County Commission
October 1, 2016 through September 30, 2017

The Russell County Commission (the "Commission") is governed by a seven-member body elected by the citizens of Russell County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Russell County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

Financial statements for the fiscal year ending September 30, 2017, were not prepared by management until August 18, 2020. The Commission's failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 18, were invited to discuss the results of this report at an exit conference held at the offices of the County Commission. Individuals in attendance were: County Commissioners: Larry Screws, Gentry Lee, Ronnie Reed, Cattie Epps, and Chance Corbett. Representing the Department of Examiners of Public Accounts was Tammy D. Shelley, Audit Manager.

Independent Auditor's Report

Independent Auditor's Report

Members of the Russell County Commission and County Administrator
Phenix City, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Russell County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Russell County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Russell County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Russell County Commission, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedule of Funding Progress – Other Postemployment Benefits (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 13, 2021, on our consideration of the Russell County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Russell County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Russell County Commission's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 13, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 5,394,358.44	$ 410,735.34	$ 5,805,093.78
Investments	1,745,794.74		1,745,794.74
Receivables, Net (Note 4)	818,615.41	259,305.40	1,077,920.81
Ad Valorem Taxes Receivable	6,262,196.57		6,262,196.57
Total Current Assets	14,220,965.16	670,040.74	14,891,005.90
Noncurrent Assets			
Restricted Cash with Fiscal Agent	1,030,459.44		1,030,459.44
Capital Assets, Net (Note 5):			
Nondepreciable	1,260,076.27	5,000.00	1,265,076.27
Depreciable, Net	31,187,038.97	871,903.64	32,058,942.61
Total Noncurrent Assets	33,477,574.68	876,903.64	34,354,478.32
Total Assets	47,698,539.84	1,546,944.38	49,245,484.22
Deferred Outflows of Resources			
Employer Pension Contributions	601,527.38	66,420.67	667,948.05
Deferred Outflows Related to			
Net Pension Liability	721,299.09	87,714.91	809,014.00
Total Deferred Outflows of Resources	1,322,826.47	154,135.58	1,476,962.05
Liabilities			
Current Liabilities			
Payables	356,755.96	44,265.83	401,021.79
Accrued Wages Payable	440,137.30	70,306.83	510,444.13
Unearned Revenue	245,970.61		245,970.61
Accrued Interest Payable	157,233.59	2,146.28	159,379.87
Long-Term Liabilities:			
Portion Due Within One Year:			
Warrants Payable	655,000.00		655,000.00
Equipment Loans	419,788.23		419,788.23
Capital Leases Payable		223,671.01	223,671.01
Compensated Absences	36,268.99		36,268.99
Total Current Liabilities	$ 2,311,154.68	$ 340,389.95	$ 2,651,544.63

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Long-Term Liabilities:			
Portions Due After One Year:			
Deposits Payable	$	$ 56,507.95	$ 56,507.95
Warrants Payable	15,320,000.00		15,320,000.00
Equipment Loans	937,250.24		937,250.24
Capital Leases Payable		273,648.06	273,648.06
Net Pension Liability	5,523,897.19	534,030.81	6,057,928.00
Compensated Absences	326,420.84	32,862.37	359,283.21
Estimated Liability for Retiree Health Insurance	8,478,872.53	579,059.75	9,057,932.28
Total Noncurrent Liabilities	30,586,440.80	1,476,108.94	32,062,549.74
Total Liabilities	32,897,595.48	1,816,498.89	34,714,094.37
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	5,814,839.52		5,814,839.52
Revenue Received in Advance - Motor Vehicle Taxes	339,538.02		339,538.02
Deferred Inflows Related to Net Pension Liability	30,277.00		30,277.00
Total Deferred Inflows of Resources	6,184,654.54		6,184,654.54
Net Position			
Net Investment in Capital Assets	15,115,076.77	377,438.29	15,492,515.06
Restricted for Capital Projects	1,052,071.08		1,052,071.08
Restricted for Road Projects	1,318,047.64		1,318,047.64
Restricted for Debt Service	650,564.64		650,564.64
Restricted for Other Purposes	716,171.22		716,171.22
Unrestricted	(8,912,815.06)	(492,857.22)	(9,405,672.28)
Total Net Position	$ 9,939,116.29	$ (115,418.93)	$ 9,823,697.36

Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position, Primary Government: Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 6,168,882.76	$ 3,794,780.05	$ 425,895.78	$	$ (1,948,206.93)	$	$ (1,948,206.93)
Public Safety	10,432,505.76	553,439.38	163,782.00		(9,715,284.38)		(9,715,284.38)
Highways and Roads	5,584,951.05		3,129,183.18		(2,455,767.87)		(2,455,767.87)
Health			5,762.95		5,762.95		5,762.95
Welfare	38,492.93				(38,492.93)		(38,492.93)
Culture and Recreation	345,768.69				(345,768.69)		(345,768.69)
Education	2,829.80				(2,829.80)		(2,829.80)
Interest on Long-Term Debt	747,809.68				(747,809.68)		(747,809.68)
Intergovernmental	792,693.59				(792,693.59)		(792,693.59)
Total Governmental Activities	24,113,934.26	4,348,219.43	3,724,623.91		(16,041,090.92)		(16,041,090.92)
Business-Type Activities							
Solid Waste	2,363,454.32	2,667,576.66				304,122.34	304,122.34
Total Business-Type Activities	2,363,454.32	2,667,576.66				304,122.34	304,122.34
Total	$ 26,477,388.58	$ 7,015,796.09	$ 3,724,623.91	$	(16,041,090.92)	304,122.34	(15,736,968.58)
General Revenues							
Taxes:							
Property Taxes for General Purposes					3,882,952.47		3,882,952.47
Property Taxes for Specific Purposes					3,134,158.46		3,134,158.46
General Sales Tax					4,165,237.81		4,165,237.81
Miscellaneous Taxes					995,149.55		995,149.55
Grants and Contributions Not Restricted for Specific Programs					438,420.77		438,420.77
Investment Earnings					49,267.00	206.14	49,473.14
Miscellaneous					1,878,230.00		1,878,230.00
Total General Revenues					14,543,416.06	206.14	14,543,622.20
Change in Net Position					(1,497,674.86)	304,328.48	(1,193,346.38)
Net Position - Beginning of Year					11,436,791.15	(419,747.41)	11,017,043.74
Net Position - End of Year					$ 9,939,116.29	$ (115,418.93)	$ 9,823,697.36

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 1,980,856.54	$ 664,592.16	$ 259,883.36	$ 2,489,026.38	$ 5,394,358.44
Cash with Fiscal Agent	511,657.56			518,801.88	1,030,459.44
Investments	1,541,571.77			204,222.97	1,745,794.74
Receivables (Note 4)	379,583.73	126,578.63	237.56	312,215.49	818,615.41
Ad Valorem Taxes Receivable	5,549,470.91		712,725.66		6,262,196.57
Total Assets	9,963,140.51	791,170.79	972,846.58	3,524,266.72	15,251,424.60
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables	177,206.81	176,239.16	1,894.45	1,415.54	356,755.96
Unearned Revenue			245,970.61		245,970.61
Accrued Wages Payable	331,335.97	96,545.47	12,255.86		440,137.30
Total Liabilities	508,542.78	272,784.63	260,120.92	1,415.54	1,042,863.87
Deferred Inflows of Resources					
Unavailable Revenue Property Taxes	5,102,113.86		712,725.66		5,814,839.52
Revenue Received in Advance - Motor Vehicles Taxes	339,538.02				339,538.02
Total Deferred Inflows of Resources	5,441,651.88		712,725.66		6,154,377.54
Fund Balances					
Restricted for:					
Road Projects		518,386.16		901,169.31	1,419,555.47
Capital Projects				1,052,071.08	1,052,071.08
Debt Service				807,798.23	807,798.23
Local Officials				512,871.79	512,871.79
Other Purposes				237,105.11	237,105.11
Assigned to:					
Roads				2,726.93	2,726.93
Unassigned	4,012,945.85			9,108.73	4,022,054.58
Total Fund Balances	4,012,945.85	518,386.16		3,522,851.18	8,054,183.19
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 9,963,140.51	$ 791,170.79	$ 972,846.58	$ 3,524,266.72	$ 15,251,424.60

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 8,054,183.19
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:			
Land		$ 1,260,076.27	
Buildings and Improvements		31,500,190.42	
Furniture and Equipment		4,535,342.68	
Vehicles		5,624,937.59	
Roads		4,804,162.90	
Bridges		8,061,759.72	
Sewer		605,570.84	
Less: Accumulated Depreciation		(23,944,925.18)	
Total Capital Assets			32,447,115.24
Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.			(157,233.59)
Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:			
	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	$ 655,000.00	$ 15,320,000.00	
Equipment Loans Payable	419,788.23	937,250.24	
Compensated Absences	36,268.99	326,420.84	
Estimated Liability for Retiree Health Insurance		8,478,872.53	
Net Pension Liability		5,523,897.19	
Total Long-Term Liabilities	$ 1,111,057.22	$ 30,586,440.80	(31,697,498.02)
Deferred outflows and inflows of resources related to the pension plan are applicable to future periods and, therefore, are not reported in the governmental funds.			1,292,549.47
Total Net Position - Governmental Activities (Exhibit 1)			$ 9,939,116.29

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 11,024,175.27	$	$ 848,995.95	$	$ 11,873,171.22
Licenses and Permits	1,448,108.20	76,778.04			1,524,886.24
Intergovernmental	1,303,117.62	1,668,952.63		1,784,940.65	4,757,010.90
Charges for Services	2,053,787.70			60,709.08	2,114,496.78
Fines and Forfeits				235,128.94	235,128.94
Miscellaneous	334,322.66	763,231.19	5,012.52	893,794.02	1,996,360.39
Total Revenues	16,163,511.45	2,508,961.86	854,008.47	2,974,572.69	22,501,054.47
Expenditures					
Current:					
General Government	4,174,386.01		854,008.47	347,405.66	5,375,800.14
Public Safety	9,261,357.88			734,616.64	9,995,974.52
Highways and Roads		3,514,136.44		1,269,218.59	4,783,355.03
Welfare	16,995.89			21,497.04	38,492.93
Culture and Recreation	296,196.83				296,196.83
Education	2,829.80				2,829.80
Intergovernmental	637,013.32	75,401.80		80,278.47	792,693.59
Capital Outlay	613,694.92	197,513.00		336,340.90	1,147,548.82
Debt Service:					
Principal Retirement	126,062.06	295,431.01		640,000.00	1,061,493.07
Interest and Fiscal Charges		29,077.51		594,547.61	623,625.12
Debt Issuance Costs/Other Debt Service	130,812.50			3,683.64	134,496.14
Total Expenditures	15,259,349.21	4,111,559.76	854,008.47	4,027,588.55	24,252,505.99
Excess (Deficiency) of Revenues Over Expenditures	904,162.24	(1,602,597.90)		(1,053,015.86)	(1,751,451.52)
Other Financing Sources (Uses)					
Transfers In		1,372,778.39		6,879,239.41	8,252,017.80
Proceeds from Issuance of Long-Term Debt	6,871,441.66				6,871,441.66
Proceeds from Sale of Capital Assets		117,253.84			117,253.84
Payment to Refunding Agent				(5,931,316.25)	(5,931,316.25)
Transfers Out	(8,137,017.80)			(115,000.00)	(8,252,017.80)
Total Other Financing Sources (Uses)	(1,265,576.14)	1,490,032.23		832,923.16	1,057,379.25
Net Change in Fund Balances	(361,413.90)	(112,565.67)		(220,092.70)	(694,072.27)
Fund Balances - Beginning of Year	4,374,359.75	630,951.83		3,742,943.88	8,748,255.46
Fund Balances - End of Year	$ 4,012,945.85	$ 518,386.16	$	$ 3,522,851.18	$ 8,054,183.19

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)			$	(694,072.27)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($1,854,589.06) exceeded capital outlay ($1,147,548.82) in the current period.				(707,040.24)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.				1,061,493.07
Payment to Refunding Agent is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.				5,931,316.25
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.				(6,871,441.66)
In the Statement of Activities, only the gain or loss on the sale of capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.				
Proceeds from the Sale of Capital Assets	$	117,253.84		
Gain on Disposition of Capital Assets		115,204.93		(2,048.91)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:				
Loss on Refunding	$	(51,316.25)		
Net Decrease in Interest Payable		10,311.58		
Net Increase in Compensated Absences		(6,752.29)		
Net Increase in Pension Expense		(146,367.14)		
Net Increase in Estimated Liability for Retiree Health Insurance		(21,757.00)		
Total Additional Expenditures				(215,881.10)
Change in Net Position of Governmental Activities (Exhibit 2)			$	(1,497,674.86)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
September 30, 2017

	Enterprise Fund		Total Enterprise	
	Sanitation Fund		Fund	
Assets				
Current Assets				
Cash and Cash Equivalents	$	410,735.34	$	410,735.34
Receivables, Net (Note 4)		259,305.40		259,305.40
Total Current Assets		670,040.74		670,040.74
Noncurrent Assets				
Capital Assets, Net (Note 5):				
Nondepreciable		5,000.00		5,000.00
Depreciable, Net		871,903.64		871,903.64
Total Noncurrent Assets		876,903.64		876,903.64
Total Assets		1,546,944.38		1,546,944.38
Deferred Outflows of Resources				
Related to Pensions		154,135.58		154,135.58
Liabilities				
Current Liabilities				
Accounts Payable		44,265.83		44,265.83
Accrued Wages Payable		70,306.83		70,306.83
Accrued Interest Payable		2,146.28		2,146.28
Capital Leases Payable		223,671.01		223,671.01
Total Current Liabilities		340,389.95		340,389.95
Noncurrent Liabilities				
Long-Term Liabilities - Portion Due After One Year:				
Deposits Payable		56,507.95		56,507.95
Capital Leases Payable		273,648.06		273,648.06
Compensated Absences		32,862.37		32,862.37
Net Pension Liability		534,030.81		534,030.81
Estimated Liability for Retiree Health Insurance		579,059.75		579,059.75
Total Noncurrent Liabilities		1,476,108.94		1,476,108.94
Total Liabilities		1,816,498.89		1,816,498.89
Net Position				
Net Investment in Capital Assets		377,438.29		377,438.29
Unrestricted		(492,857.22)		(492,857.22)
Total Net Position	$	(115,418.93)	$	(115,418.93)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2017

	Enterprise Fund Sanitation Fund	Total Enterprise Fund
Operating Revenues		
Charges for Services	$ 2,667,576.66	$ 2,667,576.66
Total Operating Revenues	2,667,576.66	2,667,576.66
Operating Expenses		
Direct Cost of Services	1,502,534.80	1,502,534.80
Indirect Cost of Services	466,141.32	466,141.32
Administrative	250,096.71	250,096.71
Depreciation	153,345.23	153,345.23
Total Operating Expenses	2,372,118.06	2,372,118.06
Operating Income (Loss)	295,458.60	295,458.60
Nonoperating Revenues (Expenses)		
Interest on Investments	206.14	206.14
Interest Expense	(17,302.34)	(17,302.34)
Gain/(Loss) on Disposal of Capital Assets	25,966.08	25,966.08
Total Nonoperating Revenues (Expenses)	8,869.88	8,869.88
Changes in Net Position	304,328.48	304,328.48
Net Position - Beginning of Year	(419,747.41)	(419,747.41)
Net Position - End of Year	$ (115,418.93)	$ (115,418.93)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2017

	Enterprise Fund Sanitation Fund	Total Enterprise Fund
Cash Flows from Operating Activities		
Receipts from Customers	$ 2,684,536.24	$ 2,684,536.24
Payments to Suppliers and Employees	(2,172,182.01)	(2,172,182.01)
Net Cash Provided (Used) by Operating Activities	512,354.23	512,354.23
Cash Flows from Investing Activities		
Interest on Investments	206.14	206.14
Net Cash Provided (Used) by Investing Activities	206.14	206.14
Cash Flows from Financing Activities		
Acquisition of Capital Assets	(179,086.89)	(179,086.89)
Proceeds from the Sale of Capital Assets	86,080.55	86,080.55
Interest Paid	(15,156.06)	(15,156.06)
Deposits Received (Refunded)	529.00	529.00
Principal Payments on Long-Term Debt	(264,346.05)	(264,346.05)
Net Cash Provided (Used) by Financing Activities	(371,979.45)	(371,979.45)
Net Increase (Decrease) in Cash and Cash Equivalents	140,580.92	140,580.92
Cash and Cash Equivalents - Beginning of Year	270,154.42	270,154.42
Cash and Cash Equivalents - End of Year	410,735.34	410,735.34
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	295,458.60	295,458.60
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	153,345.23	153,345.23
Change in:		
Receivables, Net	16,959.58	16,959.58
Accounts Payable	12,935.35	12,935.35
Accrual for Compensated Absences	1,148.67	1,148.67
Accrual for Estimated Liability for Retiree Health Insurance	1,486.00	1,486.00
Pension	18,395.27	18,395.27
Accrued Salaries	12,625.53	12,625.53
Net Cash Provided by Operating Activities	$ 512,354.23	$ 512,354.23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2017

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	$ 120,690.13	$ 2,179,293.44
Receivables (Note 4)	2,100.11	15,936.37
Total Assets	122,790.24	2,195,229.81
Liabilities		
Payables to External Parties	3,655.85	2,195,229.81
Total Liabilities	3,655.85	$ 2,195,229.81
Net Position		
Held in Trust for Other Purposes	119,134.39	
Total Net Position	$ 119,134.39	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2017

		Private-Purpose Trust Funds
Additions		
Contributions from:		
State and Local Governments	$	46,690.80
Charges for Services		23,114.51
Miscellaneous		125,303.77
Total Additions		195,109.08
Deductions		
Administrative Expenses		137,181.80
Total Deductions		137,181.80
Changes in Net Position		57,927.28
Net Position - Beginning of Year		61,207.11
Net Position - End of Year	$	119,134.39

The accompanying Notes to the Financial Statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Russell County Commission (the "Commission") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to account for the expenditure of special property taxes for building and maintaining public buildings, roads and bridges.

- ***Gasoline Tax Fund*** – This fund is used to account for the expenditure of 7-cent State gasoline tax revenue for construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of bonds for which gasoline tax revenues have been pledged.

- ***Reappraisal Fund*** – This fund is used to account for property taxes and the other revenue required to be expended for the costs of the property reappraisal program.

The Commission reports the following major enterprise fund:

- ***Sanitation Fund*** – This fund is used to account for cost of providing solid waste service to county residents.

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- ***Debt Service Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

- ***Capital Projects Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ***Private-Purpose Trust Funds*** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

- ***Agency Funds*** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

Investments are reported at fair value.

2. Receivables

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 30 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 30 days.

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as deferred inflows of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

Receivables in the Sanitation Fund are amounts due from customers who are charged fees for services provided by the Commission. These amounts are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on past collection experience.

Receivables from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

3. Restricted Assets

Certain general obligation and special revenue warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 5,000	25 – 40 years
Buildings Improvements	$ 5,000	5 – 20 years
Equipment and Furniture	$ 5,000	5 – 10 years
Vehicles	$ 5,000	5 – 10 years
Roads	$250,000	20 years
Bridges	$ 50,000	40 years
Sewers	$100,000	25 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick, annual, and compensatory leave.

Annual Leave

For the first nine years of continued service each employee is credited 10 days of annual leave per year. Upon the completion of the ninth year and each year thereafter until the twentieth year, each employee is credited with 15 days of annual leave per year. After twenty years of continued employment, each employee is credited with 20 days of annual leave per year. Unused annual leave credits may be accumulated and carried over into successive years by employees up to a maximum of 20 days. Upon separation or retirement, employees are paid, up to the maximum, for accrued annual leave.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees at the rate of one (1) day of leave for each calendar month. After one year of continuous service, permanent full-time employees will have a onetime only credit of five (5) days added to their accumulated sick leave balance. Unused sick leave credits may be accumulated and carried over into successive years by employees up to a maximum of 120 days. The employee will forfeit accumulated sick leave in excess of 120 days at the end of the calendar year. All unused sick leave is forfeited upon separation and is not compensated to the employee. Upon retirement, accumulated sick leave, up to the maximum of 120 days, may be used for retirement credit in accordance with the rules and regulations of the Employees Retirement System of Alabama.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act (FLSA). Employees who work in FLSA non-exempt jobs will be given compensatory time off or paid for those hours worked in excess of the established regular hours for the work week/work period. Compensatory time off, or overtime pay, will not be paid until the employee exceeds the established regular hours for the work week/work period as required by the FLSA. Compensatory leave is calculated at one and one-half times the employee's regular rate of pay in accordance with the provisions of the FLSA, as amended.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ***Net Investment in Capital Assets*** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.

- ***Restricted*** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds on the fund financial statements and is required to be classified for accounting and reporting purposes to indicate the level of constraints on the use of the fund balances. Those classifications and associated constraints are as follows:

- ***Nonspendable*** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items and long-term receivables.

- ***Restricted*** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- ***Committed*** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- ***Assigned*** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission or its designee makes the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ***Unassigned*** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Commission to consider restricted amounts to have been reduced first.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Gasoline Tax Fund and the Reappraisal Fund budget on a basis of accounting consistent with GAAP the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Act Number 2009-471, Acts of Alabama, allows the Commission to enter into agreements with banks that are covered by the SAFE Program to purchase certificates of deposit (CDs) on the Commission's behalf with other federally insured banks or savings associations in such amounts so that the Commission's deposits, including any accrued interest, are fully covered by FDIC.

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

B. Cash with Fiscal Agent

The Commission has deposits totaling $1,030,459.44 in the General Fund and debt service funds (other governmental funds) which are shown as cash with fiscal agents on the governmental fund financial statements and restricted cash with fiscal agents on the government-wide financial statements. These funds are invested in First American Treasury Obligations Fund – Y Class with a weighted average maturity of 46 days and in repurchase agreements collateralized by U. S. Treasury obligations.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have formal policy related to investment rating categories. As of September 30, 2017, the Commission's investments in money market funds were rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service, Inc.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have an investment policy that limits an investment in any one issuer that is in excess of five percent of the Commission's total investments.

Note 4 – Receivables

On September 30, 2017, receivables for the Commission's individual major funds, other governmental funds in the aggregate, enterprise funds, and fiduciary funds, including the applicable allowances for uncollectible accounts, were as follows:

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds
Intergovernmental	$379,583.73	$126,578.63	$237.56	$312,215.49
Other Receivables				
Receivables from External Parties				
Gross Receivables	379,583.73	126,578.63	237.56	312,215.49
Less: Allowance for Doubtful Accounts				
Net Total Receivables	$379,583.73	$126,578.63	$237.56	$312,215.49

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2017, the Reappraisal Fund (a governmental fund) reported $245,970.61 in unearned revenue which represents unused reappraisal funds.

Total Governmental Funds	Sanitation Fund	Private-Purpose Trust Funds	Agency Funds
$818,615.41	$ 468,459.48	$	$
		2,100.11	15,936.37
818,615.41	468,459.48	2,100.11	15,936.37
	(209,154.08)		
$818,615.41	$ 259,305.40	$2,100.11	$15,936.37

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions	Disposals	Balance 09/30/2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,260,076.27	$	$	$ 1,260,076.27
Construction in Progress				
Total Capital Assets, Not Being Depreciated	1,260,076.27			1,260,076.27
Capital Assets Being Depreciated:				
Buildings and Improvements	31,018,909.60	481,280.82		31,500,190.42
Furniture and Equipment	4,443,255.23	357,438.00	(265,350.55)	4,535,342.68
Vehicles	5,625,348.50	308,830.00	(309,240.91)	5,624,937.59
Roads	4,804,162.90			4,804,162.90
Bridges	8,061,759.72			8,061,759.72
Sewer	605,570.84			605,570.84
Total Capital Assets Being Depreciated	54,559,006.79	1,147,548.82	(574,591.46)	55,131,964.15
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,322,453.06)	(775,905.84)		(11,098,358.90)
Furniture and Equipment	(3,747,773.85)	(186,087.79)	265,350.55	(3,668,511.09)
Vehicles	(2,632,779.87)	(530,360.67)	307,192.00	(2,855,948.54)
Roads	(2,088,705.59)	(136,467.48)		(2,225,173.07)
Bridges	(3,641,049.34)	(201,544.44)		(3,842,593.78)
Sewer	(230,116.96)	(24,222.84)		(254,339.80)
Total Accumulated Depreciation	(22,662,878.67)	(1,854,589.06)	572,542.55	(23,944,925.18)
Total Capital Assets, Being Depreciated, Net	31,896,128.12	(707,040.24)	(2,048.91)	31,187,038.97
Total Governmental Activities Capital Assets, Net	$ 33,156,204.39	$ (707,040.24)	$ (2,048.91)	$ 32,447,115.24

	Balance 10/01/2016	Additions	Disposals	Balance 09/30/2017
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 5,000.00	$	$	$ 5,000.00
Construction in Progress				
Total Capital Assets, Not Being Depreciated	5,000.00			5,000.00
Capital Assets Being Depreciated:				
Buildings and Improvements	170,113.88			170,113.88
Furniture and Equipment	139,424.49			139,424.49
Vehicles	1,393,073.67	179,086.89	(141,446.00)	1,430,714.56
Total Capital Assets Being Depreciated	1,702,612.04	179,086.89	(141,446.00)	1,740,252.93
Less Accumulated Depreciation for:				
Buildings and Improvements	(31,723.40)	(6,476.64)		(38,200.04)
Furniture and Equipment	(107,093.56)	(12,738.51)		(119,832.07)
Vehicles	(657,518.63)	(134,130.08)	81,331.53	(710,317.18)
Total Accumulated Depreciation	(796,335.59)	(153,345.23)	81,331.53	(868,349.29)
Total Capital Assets, Being Depreciated, Net	906,276.45	25,741.66	(60,114.47)	871,903.64
Total Business-Type Activities Capital Assets, Net	$ 911,276.45	$ 25,741.66	$ (60,114.47)	$ 876,903.64

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 696,128.86
Public Safety	361,695.09
Highway and Roads	749,483.85
Culture and Recreation	47,281.26
Total Depreciation Expense – Governmental Activities	$1,854,589.06

	Current Year Depreciation Expense
Business-Type Activities:	
Solid Waste	$153,345.23
Total Depreciation Expense – Business-Type Activities	$153,345.23

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in the Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1) The Governor, ex officio.
2) The State Treasurer, ex officio.
3) The State Personnel Director, ex officio.
4) The State Director of Finance, ex officio.
5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
   a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
   b. Two vested active state employees.
   c. Two vested active employees of an employer participating in ERS pursuant to the ***Code of Alabama 1975***, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS membership includes approximately 85,874 participants from approximately 875 local participating employers. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	54,823
Post DROP participants who are still in active service	235
Total	85,874

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the Commission's active employee contribution rate was 5.28% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.66% of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2017, was 7.40% of pensionable pay for Tier 1 employees, and 4.70% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were $667,948.05 for the year ended September 30, 2017.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015, rolled forward to September 30, 2016, using standard roll-forward techniques as shown in the following table:

	Expected	Actual-2015 Valuation Assumptions	Actual-2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	$22,327,232	$22,376,502	$23,104,377
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 – September 30, 2016	798,938	798,938	783,645
(d) Transfers Among Employers		5,802	5,802
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 – September 30, 2016	(1,102,413)	(1,102,413)	(1,102,413)
(f) Total Pension Liability as of September 30, 2016 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	$23,765,839	$23,824,853	$24,539,282
(g) Difference between Expected and Actual Experience (Gain)/Loss		$ 59,014	
(h) Less Liability Transferred for Immediate Recognition:		5,802	
(i) Experience (Gain)/Loss = (g) – (h)		$ 53,212	
(j) Difference between Actual (2015 Assumptions) and (2016 Assumptions) (Gain)/Loss			$ 714,429

Actuarial Assumptions

The total pension liability as of September 30, 2016, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.75%

(*) Net of Pension Plan Investment Expense

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Morality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to at the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015, valuation was based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(*) Net assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in Net Pension Liability

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2015	$22,327,232	$16,699,374	$ 5,627,858
Changes for the Year:			
Service Cost	798,938		798,938
Interest	1,742,082		1,742,082
Changes of assumptions	714,429		714,429
Difference between Expected and Actual Experience	53,212		53,212
Contributions – Employer		633,275	(633,275)
Contributions – Employee		540,690	(540,690)
Net Investment Income		1,704,626	(1,704,626)
Benefit Payments, Including Refunds of Employee Contributions	(1,102,413)	(1,102,413)	
Transfers Among Employers	5,802	5,802	
Net Changes	2,212,050	1,781,980	430,070
Balances at September 30, 2016	$24,539,282	$18,481,354	$ 6,057,928

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.75%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's Net Pension Liability	$9,178,667	$6,057,928	$3,439,091

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Commission recognized pension expense of $797,037. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,281.00	$30,277.00
Changes of assumptions	615,203.00	
Net difference between projected and actual earnings on pension plan investments	147,990.00	
Employer contributions subsequent to the measurement date	667,948.05	
Total	$1,476,962.05	$30,277.00

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2018	$135,751
2019	$135,750
2020	$250,921
2021	$ 27,320
2022	$101,056
Thereafter	$127,939

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Russell County Commission contributes to the Local Government Health Insurance Program, an agent multiple employer defined benefit postemployment healthcare plan administered by the State Employees' Insurance Board. The plan provides medical, drug, vision, and dental insurance benefits to eligible retirees and their dependents. The ***Code of Alabama 1975***, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefits provisions. The plan does not issue a stand-alone financial report.

In addition to the pension benefits described in Note 6, the Commission provides postemployment health care benefits, in accordance with a resolution approved by the Commission on March 22, 1989, to employees who meet the following eligibility requirements. Employees must: (1) have been covered by the Commission's group health care plan at the time of retirement, and (2) immediately upon retirement begin receiving a retirement pension under the rules and regulations of the Retirement Systems of Alabama. At its September 14, 2011, meeting, the Commission amended eligibility for these benefits to include only those employees who have been employed by the Commission for 10 years and been enrolled in the Commission's health insurance plan for 10 years as well. Dependents can be covered under an eligible retiree's family plan if the dependents meet the definition of "who can be covered" in each option's contract. However, the employee must reimburse the Commission for dependent coverage.

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2017. The Commission does not anticipate setting up a trust fund within the next two years to fund its postemployment medical insurance plans given its adequate unrestricted fund balances.

The Commission contributes $448.00 towards the cost of current-year premiums of eligible retirees 65 years of age and older and $929.00 for retirees under the age of 65. For fiscal year 2017, the Commission contributed $394,816 to cover approximately 58 participants. Retirees are required to contribute monthly as follows:

	Fiscal Year 2017
Individual Coverage – Non-Medicare Eligible	$
Individual Coverage – Medicare Eligible	$
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$929.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	$448.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$782.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	$459.00

C. Annual OPEB Cost

For fiscal year 2017, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, vision and dental insurance was $1,802,446. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2016	$1,802,446	20.15%	$9,057,933
09/30/2015	$1,605,109	20.64%	$7,618,746
09/30/2014	$1,414,930	21.97%	$6,345,002

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	$23,987,092
Actuarial Value of Plan Assets	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$23,987,092
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$10,004,962
UAAL as a Percentage of Covered Payroll	239.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As the plan gains experience this table and the schedules found in the Required Supplementary Information section will show multi-year trend information about whether the actuarial value and plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a four percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of seven and one-half percent initially, reduced by decrements to an ultimate rate of five percent after six years. It was assumed that one hundred percent of future retirees would elect medical, drug, vision and dental insurance coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years.

Note 8 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases for the proprietary funds and business-type activities totaled $1,251,539.60 at September 30, 2017. If the Commission completes the lease payments according to the schedule below, ownership of the leased equipment will pass to the Commission. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017.

Fiscal Year Ending	Business-Type Activities
September 30, 2018	$233,796.41
2019	177,814.53
2020	101,663.86
Total Minimum Lease Payments	513,274.80
Less: Amount Representing Interest	(15,955.73)
Present Value of Net Minimum Lease Payments	$497,319.07

Note 9 – Funding Agreements with Russell County Public Building Authority

On April 21, 2008, the Commission entered into a Funding Agreement (in the form of a sale-lease back) with the Russell County Public Building Authority for $7,935,000 in order to finance the costs of constructing various improvements to the existing Russell County Courthouse, and to purchase and equip a government office building. On February 1, 2017, the Commission entered into a supplemental indenture with the Public Building Authority to refund and retire the Series 2008 Revenue Warrants then outstanding in the aggregate principal amount of $5,880,000 and to make additional project improvements. To obtain these funds, the Public Building Authority issued Series 2017 Revenue Warrants in the principal amount of $6,505,000. The Commission agreed to pay all principal and interest on the Series 2017 Warrants and when the warrants have been fully paid, the Public Building Authority will convey the asset, in its then condition to the Commission.

On August 31, 2010, the Commission entered into a Funding Agreement (in form of a sale-lease back) with the Russell County Public Building Authority for a total of $7,180,000 in order to finance the costs of acquiring, constructing, and equipping an enlargement or annex to the existing County Judicial Building. To obtain the sum of $7,180,000 the Public Building Authority issued Series 2010 Revenue Warrants. The Commission agreed to pay all principal and interest on the Series 2010 Warrants and when the warrants have been fully paid, the Public Building Authority will convey the asset, in its then condition to the Commission for the purchase price of $100.

On August 4, 2011, the Commission entered into a Funding Agreement (in form of a sale-lease back) with the Russell County Public Building Authority for a total of $3,775,000 in order to finance the costs of acquiring, constructing and equipping the County Jail additions and improvements. To obtain the sum of $3,775,000 the Public Building Authority issued Series 2011 Revenue Warrants. The Commission agreed to pay all principal and interest on the Series 2011 Warrants and when the warrants have been fully paid, the Public Building Authority will convey the asset, in its then condition to the Commission for the purchase price of $100.

In substance, these agreements are considered to be funding agreements rather than sale-lease backs because the Commission has continued involvement in the property without transfer of risks and rewards.

Series 2017 Revenue Warrants Fiscal Year Ending	Governmental Activities
September 30, 2018	$ 494,371.50
2019	500,299.75
2020	547,632.50
2021	551,625.00
2022	550,076.25
2023-2027	2,705,942.50
2028-2032	2,605,427.50
2033-2037	505,290.00
Total Minimum Payments	8,460,665.00
Less: Amount Representing Interest	(2,005,665.00)
Present Value of Net Minimum Payments	$ 6,455,000.00

Series 2010 Recovery Zone Warrants Fiscal Year Ending	Governmental Activities
September 30, 2018	$ 455,843.76
2019	456,050.01
2020	455,656.26
2021	454,759.38
2022	458,381.25
2023-2027	2,277,840.64
2028-2032	2,267,384.41
2033-2037	2,269,168.77
2038-2040	1,287,700.00
Total Minimum Payments	10,382,784.48
Less: Amount Representing Interest	(4,057,784.48)
Present Value of Net Minimum Payments	$ 6,325,000.00

Series 2011 Revenue Warrants Fiscal Year Ending	Governmental Activities
September 30, 2018	$ 279,766.26
2019	275,891.26
2020	276,628.76
2021	276,628.76
2022	276,266.26
2023-2027	1,388,918.80
2028-2032	1,390,305.00
2033	276,925.00
Total Minimum Payments	4,441,330.10
Less: Amount Representing Interest	(1,246,330.10)
Present Value of Net Minimum Payments	$ 3,195,000.00

Note 10 – Long-Term Debt

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2017:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
Governmental Activities:					
Funding Agreements/Warrants Payable:					
Series 2008 Revenue Warrants	$ 6,140,000.00	$	$(6,140,000.00)	$	$
Series 2010 Recovery Zone Warrant	6,505,000.00		(180,000.00)	6,325,000.00	180,000.00
Series 2011 Revenue Warrants	3,345,000.00		(150,000.00)	3,195,000.00	155,000.00
Series 2017 Revenue Warrants		6,505,000.00	(50,000.00)	6,455,000.00	320,000.00
Total Funding Agreements/ Warrants Payable	15,990,000.00	6,505,000.00	(6,520,000.00)	15,975,000.00	655,000.00
Other Liabilities:					
Equipment Loans	1,412,089.88	366,441.66	(421,493.07)	1,357,038.47	419,788.23
Compensated Absences	355,937.54	6,752.29		362,689.83	36,268.99
Net Pension Liability	5,140,248.42	383,648.77		5,523,897.19	
Estimated Liability for Retiree Health Insurance	8,457,115.53	21,757.00		8,478,872.53	
Total Other Liabilities	15,365,391.37	778,599.72	(421,493.07)	15,722,498.02	456,057.22
Total Government Activities Long-Term Liabilities	31,355,391.37	7,283,599.72	(6,941,493.07)	31,697,498.02	1,111,057.22
Business-Type Activities:					
Capital Leases	761,665.12		(264,346.05)	497,319.07	223,671.01
Deposits Payable	55,978.95	529.00		56,507.95	
Compensated Absences	31,713.70	1,148.67		32,862.37	
Net Pension Liability	487,609.58	46,421.23		534,030.81	
Estimated Liability for Retiree Health Insurance	577,573.75	1,486.00		579,059.75	
Total Business-Type Activities Long-Term Liabilities	$ 1,914,541.10	$ 49,584.90	$ (264,346.05)	$ 1,699,779.95	$ 223,671.01

Payments on the 2008, 2010, 2011 and 2017 Funding Agreements were made by the General Fund. Payments on the Equipment Loans were made from the Gasoline Tax Fund. Payments on the Capital Leases were made from the Sanitation Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds depending on the fund the employees' salary is paid from.

The retiree health insurance liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds on a pay-as-you-go basis.

The net pension liability attributable to the governmental activities will be liquidated by the annual employer contribution rate on covered payroll as determined by actuarial assumptions provided by the Employee's Retirement System of Alabama.

The following is a schedule of debt service requirements to maturity:

	Governmental Activities			
	Series 2011 Revenue Warrants		Series 2010 Recovery Zone Warrants	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2018	$ 155,000.00	$ 124,766.26	$ 180,000.00	$ 275,843.76
2019	155,000.00	120,891.26	185,000.00	271,050.01
2020	160,000.00	116,628.76	190,000.00	265,656.26
2021	165,000.00	111,628.76	195,000.00	259,759.38
2022	170,000.00	106,266.26	205,000.00	253,381.25
2023-2027	955,000.00	433,918.80	1,125,000.00	1,152,840.64
2028-2032	1,170,000.00	220,305.00	1,365,000.00	902,384.41
2033-2037	265,000.00	11,925.00	1,700,000.00	569,168.77
2038-2040			1,180,000.00	107,700.00
Total	$3,195,000.00	$1,246,330.10	$6,325,000.00	$4,057,784.48

	Business-Type Activities		Total Principal and Interest Requirements to Maturity
	Capital Leases		
Fiscal Year Ending	Principal	Interest	
September 30, 2018	$223,671.01	$10,125.40	$233,796.41
2019	172,898.28	4,916.25	177,814.53
2020	100,749.78	914.08	101,663.86
Totals	$497,319.07	$15,955.73	$513,274.80

Governmental Activities				
Series 2017 Revenue Warrants		Equipment Loans		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	to Maturity
$ 320,000.00	$ 174,371.50	$ 419,788.23	$30,782.35	$ 1,680,552.10
335,000.00	165,299.75	429,829.05	20,741.53	1,682,811.60
340,000.00	207,632.50	314,059.79	10,448.73	1,604,426.04
355,000.00	196,625.00	193,361.40	3,981.68	1,480,356.22
365,000.00	185,076.25			1,284,723.76
1,975,000.00	730,942.50			6,372,701.94
2,270,000.00	335,427.50			6,263,116.91
495,000.00	10,290.00			3,051,383.77
				1,287,700.00
$6,455,000.00	$2,005,665.00	$1,357,038.47	$65,954.29	$24,707,772.34

Pledged Revenues

The Commission entered into a funding agreement with the Public Building Authority pledged to be repaid solely from and secured by a pledge of the revenues and receipts derived by the Commission from the pledged tax proceeds and then from any funds of the Commission that will be available for that purpose as described in the official statement. The proceeds are to be used for the purchase and renovation of county government buildings and to refund and retire the Series 2008 Revenue Warrants. Future revenues in the amount of $8,460,665.00 are pledged to repay the principal and interest on the debt at September 30, 2017; however, the initial term of the pledge of the Pledged Tax Proceeds shall not be longer than the then current fiscal year of the Commission ending on September 30, 2017; provided, however, that the Lease shall contain an option for the Commission to pledge the Pledged Tax Proceeds for payment of the Series 2017 Warrants during each renewal term of the Lease, and those options to make the aforesaid pledges of the Pledged Tax Proceeds will be automatically exercised unless the Commission shall affirmatively not exercise each such option. Of the $3,882,952.47 of ad valorem taxes received during fiscal year 2017, pledged funds in the amount of $114,567.55 were used to pay principal and interest and fiscal charges on the debt during the fiscal year ended September 30, 2017. This amount represents 29.5% of the pledged funds received by the Commission. The Series 2017 Revenue Warrants will mature in fiscal year 2033.

Defeased Debt

On February 1, 2017, the Commission entered into a Funding Agreement with the Russell County Public Building Authority for a total of $6,505,000 in order to provide funds for the refunding and retirement of the Series 2008 Warrants and to finance the costs of acquisition, construction and installation of certain project improvements. To obtain the sum of $6,505,000, the Public Building Authority issued Series 2017 Revenue Warrants with effective interest rate of 3.7366% for the purpose of retiring the remaining $5,880,000 outstanding of the original $7,935,000 Series 2008 Revenue Warrants, with interest rates ranging from 3.60% to 4.20%, and to provide funds for the costs of acquisition, construction and installation of certain project improvements. The net proceeds of $5,931,316.25, after payment of $134,562.50 in issuance costs and $943,480.49 for certain project improvements were deposited with an escrow agent to provide for all future debt service payments on the refunded Series 2008 Warrants. As a result, the debt that was removed is considered to be defeased and the liability has been removed.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $51,316.25. This difference is being netted against the net debt and fully amortized in fiscal year 2017. As a result of the refunding, the Commission reduced its total debt service requirements by $274,801.23, which resulted in an economic gain (difference between the present value of the debt service payment on the old and net debt) of $69,610.72.

Note 11 – Conduit Debt Obligations

On April 1, 2007, the Russell County Board of Education (the "Board") entered into a funding agreement (in the form of a sale-lease back) with the Russell County Commission. Pursuant to this agreement the Board sold the project site which consists of cafeteria expansion projects at Dixie Elementary, Oliver Elementary, and Ladonia Elementary schools to the Russell County Commission for $7,135,000. To obtain the sum of $7,135,000, the Russell County Commission issued Series 2007 Limited Obligation School Warrants. The Board agreed to pay all principal and interest on the Series 2007 Warrants and when the Series 2007 Warrants have been fully paid, the Commission will convey the assets, in their then condition to the Board without payment of any further consideration to the Commission by the Board. On December 1, 2016, the Board issued $4,070,000 in Tax Anticipation Warrants, Series 2016, for the purpose of refunding and retiring the remaining $3,440,000 outstanding on this funding agreement. As a result, the debt that was removed is considered to be defeased without further consideration to the Commission by the Board.

Note 12 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $1,000,000 per claim for a maximum total coverage of $3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $1,000,000 per incident with a $1,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per $100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). The employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 13 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2017, were as follows:

	Transfers Out		
	General Fund	Other Governmental Funds	Totals
Transfers In:			
Gasoline Tax Fund	$1,257,778.39	$115,000.00	$1,372,778.39
Other Governmental Funds	6,879,239.41		6,879,239.41
Totals	$8,137,017.80	$115,000.00	$8,252,017.80

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.

Note 14 – Joint Venture

The Russell County Fuel Authority is a joint venture established on September 1, 1992, by the Russell County Board of Education, the Russell County Commission, the Russell County Sheriff's Office, the Russell County Utilities Board and the Russell County Engineer Department. These agencies have equal shares in ownership and debt.

The Authority is currently operating under an agreement executed by the aforementioned agencies dated February 22, 2013. This agreement provides for the creation and operation of two fuel distribution stations to improve the fuel distribution capabilities of each agency. Each agency is entitled to one representative, who together constitutes the Board of Directors of the Authority. Each representative has a single vote, and all matters voted on must be decided by a majority vote at meetings held semi-annually.

The Authority maintains two fuel distribution stations. Site 1 is located in Phenix City, Alabama, on property belonging to the Russell County Building Authority. The Authority leases the property from the Russell County Building Authority for a term of 99 years at a rate of one dollar per year. The Russell County Commission provides and pays for all utilities and insurance during the lease period. Site 2 is located in Seale, Alabama, on property belonging to the Russell County Board of Education. The Authority leases the property from the Russell County Board of Education for a term of 99 years at a rate of one dollar per year. The Russell County Board of Education provides and pays for all utilities and insurance during the lease period.

The Authority may allow other governmental agencies to purchase fuel from the Authority; however, no additional agencies may be added to the Board of Directors without majority vote.

During the year ended September 30, 2017, the Russell County Fuel Authority generated revenues totaling $1,001,846.13 and expenditures of $1,026,954.88. The cash balance at September 30, 2017, was $56,431.69.

Note 15 – Subsequent Event

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of its citizenry as well as its employees. As a result of the pandemic, there was a substantial impact on the Russell County Commission's revenues from several key sources. Russell County Commission's gasoline tax revenues decreased by $142,051.42 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Russell County Commission incurred an increase in costs associated with the aftermath of COVID-19. These costs, in the amount of $1,148,127.76, were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Russell County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several reductions in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Russell County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

Note 16 – Related Organizations

A majority of the members of the Boards of the Russell County Planning Commission, Russell County Water Authority, Russell County Sewer Authority, and the Russell County Public Building Authority is appointed by the Russell County Commission. The Commission, however, is not financially accountable because it does not impose its will and have a financial benefit or burden relationship for the organizations, and these organizations are not considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	$ 10,052,550.00	$ 10,052,550.00	$ 8,918,778.47	(1) (3)	$ 2,105,396.80	$ 11,024,175.27
Licenses and Permits	1,370,000.00	1,370,000.00	1,448,108.20			1,448,108.20
Intergovernmental	1,422,740.00	1,422,740.00	1,132,007.21	(3)	171,110.41	1,303,117.62
Charges for Services	2,028,349.00	2,028,349.00	2,053,787.70			2,053,787.70
Miscellaneous	125,471.00	125,471.00	253,333.55	(3)	80,989.11	334,322.66
Total Revenues	14,999,110.00	14,999,110.00	13,806,015.13		2,357,496.32	16,163,511.45
Expenditures						
Current:						
General Government	4,959,999.00	4,959,999.00	3,611,922.19	(2) (4)	(562,463.82)	4,174,386.01
Public Safety	9,378,857.00	9,378,857.00	9,262,714.25	(2) (4)	1,356.37	9,261,357.88
Health			(134,872.18)	(2) (4)	(134,872.18)	
Welfare	22,000.00	22,000.00	16,995.89			16,995.89
Culture and Recreation	303,021.00	303,021.00	296,196.83			296,196.83
Education	8,000.00	8,000.00	2,829.80			2,829.80
Intergovernmental	776,020.00	776,020.00	547,013.32	(4)	(90,000.00)	637,013.32
Capital Outlay	914,640.00	914,640.00	355,378.30	(4)	(258,316.62)	613,694.92
Debt Service:						
Principal Retirement	126,062.00	126,062.00	126,062.06			126,062.06
Interest and Fiscal Charges						
Debt Issuance Costs/Other Debt Service				(4)	(130,812.50)	130,812.50
Total Expenditures	16,488,599.00	16,488,599.00	14,084,240.46		(1,175,108.75)	15,259,349.21
Excess (Deficiency) of Revenues Over Expenditures	(1,489,489.00)	(1,489,489.00)	(278,225.33)		1,182,387.57	904,162.24
Other Financing Sources (Uses)						
Transfers In	327,587.00	327,587.00		(5)	2,000.00	2,000.00
Proceeds from Issuance of Long Term Debt			366,441.66	(5)	6,505,000.00	6,871,441.66
Transfers Out	(2,662,864.00)	(2,662,864.00)	(779,904.00)	(5)	(7,359,113.80)	(8,139,017.80)
Total Other Financing Sources (Uses)	(2,335,277.00)	(2,335,277.00)	(413,462.34)		(852,113.80)	(1,265,576.14)
Net Change in Fund Balances	(3,824,766.00)	(3,824,766.00)	(691,687.67)		330,273.77	(361,413.90)
Fund Balances - Beginning of Year	3,824,766.00	3,824,766.00	3,384,194.68	(6)	990,165.07	4,374,359.75
Fund Balances - End of Year	$	$	$ 2,692,507.01		$ 1,320,438.84	$ 4,012,945.85

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

(1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.			$	173,877.13
(2) The Commission budgets salaries as they are actually paid; rather than on the modified accrual basis.				(134,110.94)
Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.				
(3) Revenues				
Public Buildings, Roads and Bridges Fund	$	2,179,295.37		
Senior Citizens Activity Fund		4,323.82		2,183,619.19
(4) Expenditures				
Public Buildings, Roads and Bridges Fund	$	1,030,811.89		
Senior Citizens Activity Fund		4,350.92		
Contingent Fund		5,835.00		(1,040,997.81)
(5) Other Financing Sources/(Uses), Net				
Public Buildings, Roads and Bridges Fund	$	(854,113.80)		
Contingent Fund		2,000.00		(852,113.80)
Net Change in Fund Balance - Budget to GAAP			$	330,273.77

(6) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Licenses and Permits	$ 60,000.00	$ 60,000.00	$ 76,778.04		$	$ 76,778.04
Intergovernmental	1,216,200.00	1,216,200.00	1,757,356.63	(2)	(88,404.00)	1,668,952.63
Miscellaneous	527,160.00	527,160.00	328,820.74	(2)	434,410.45	763,231.19
Total Revenues	1,803,360.00	1,803,360.00	2,162,955.41		346,006.45	2,508,961.86
Expenditures						
Current:						
Highways and Roads	3,523,186.00	3,523,186.00	3,827,584.53	(1) (3)	313,448.09	3,514,136.44
Intergovernmental	106,800.00	106,800.00	75,401.80			75,401.80
Capital Outlay	672,856.00	672,856.00	197,513.00			197,513.00
Debt Service:						
Principal Retirement	295,432.00	295,432.00	295,431.01			295,431.01
Interest and Fiscal Charges	29,078.00	29,078.00	29,077.51			29,077.51
Total Expenditures	4,627,352.00	4,627,352.00	4,425,007.85		313,448.09	4,111,559.76
Excess (Deficiency) of Revenues Over Expenditures	(2,823,992.00)	(2,823,992.00)	(2,262,052.44)		659,454.54	(1,602,597.90)
Other Financing Sources (Uses)						
Transfers In	2,573,255.00	2,573,255.00	2,320,830.39	(4)	(948,052.00)	1,372,778.39
Proceed from Sale of Capital Assets			117,253.84			117,253.84
Transfers Out	(127,318.00)	(127,318.00)	(286,456.00)	(4)	286,456.00	
Total Other Financing Sources (Uses)	2,445,937.00	2,445,937.00	2,151,628.23		(661,596.00)	1,490,032.23
Net Change in Fund Balances	(378,055.00)	(378,055.00)	(110,424.21)		(2,141.46)	(112,565.67)
Fund Balances - Beginning of Year	378,055.00	378,055.00	1,134,291.18	(5)	(503,339.35)	630,951.83
Fund Balances - End of Year	$	$	$ 1,023,866.97		$ (505,480.81)	$ 518,386.16

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2017

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

(1) The Commission budgets salaries as they are actually paid, rather than on the modified accrual basis.			$	(2,141.46)
Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.				
(2) Revenues				
Intergovernmental	$	(88,404.00)		
Miscellaneous		434,410.45		346,006.45
(3) Expenditures				
Highways and Roads				315,589.55
(4) Other Financing Sources/(Uses)				
Transfers In	$	(948,052.00)		
Transfers Out		286,456.00		(661,596.00)
Net Change in Fund Balance - Budget to GAAP			$	(2,141.46)

(5) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
Taxes	$ 1,106,957.00	$ 1,106,957.00	$ 985,266.24	(1)	$ (136,270.29)	$ 848,995.95
Miscellaneous	1,800.00	1,800.00	5,012.52			5,012.52
Total Revenues	1,108,757.00	1,108,757.00	990,278.76		(136,270.29)	854,008.47
Expenditures						
Current:						
General Government	1,068,757.00	1,068,757.00	853,846.70	(2)	(161.77)	854,008.47
Capital Outlay	40,000.00	40,000.00				
Total Expenditures	1,108,757.00	1,108,757.00	853,846.70		(161.77)	854,008.47
Excess (Deficiency) of Revenues Over Expenditures			136,432.06		(136,432.06)	
Net Change in Fund Balances			136,432.06		(136,432.06)	
Fund Balances - Beginning of Year				(3)		
Fund Balances - End of Year	$	$	$ 136,432.06		$ (136,432.06)	$

Explanation of Differences Between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

(1) The Commission budgets for revenues only to the extent they are actually received, rather than on the modified accrual basis.	$ (136,270.29)
(2) The Commission budgets salaries as they are actually paid, rather than on the modified accrual basis.	(161.77)
Net Change in Fund Balance - Budget to GAAP	$ (136,432.06)

(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 798,938	$ 748,211	$ 732,164
Interest	1,742,082	1,640,489	1,537,643
Differences between expected and actual experiences	53,212	(42,635)	
Changes of assumptions	714,429		
Benefit payments, including refunds of employee contributions	(1,102,413)	(1,049,879)	(918,604)
Transfers among employers	5,802		
Net change in total pension liability	2,212,050	1,296,186	1,351,203
Total pension liability - beginning	22,327,232	21,031,046	19,679,843
Total pension liability - ending (a)	$ 24,539,282	$ 22,327,232	$ 21,031,046
Plan fiduciary net position			
Contributions - employer	$ 633,275	$ 692,133	$ 696,986
Contributions - employee	540,690	536,615	518,874
Net investment income	1,704,626	194,663	1,730,659
Benefit payments, including refunds of employee contributions	(1,102,413)	(1,049,879)	(918,604)
Other (Transfers among employers)	5,802	14,092	(5,269)
Net change in plan fiduciary net position	1,781,980	387,624	2,022,646
Plan fiduciary net position - beginning	16,699,374	16,311,750	14,289,104
Plan fiduciary net position - ending (b)	$ 18,481,354	$ 16,699,374	$ 16,311,750
Commission's net pension liability - ending (a) - (b)	$ 6,057,928	$ 5,627,858	$ 4,719,296
Plan fiduciary net position as a percentage of the total pension liability	75.31%	74.79%	77.56%
Covered payroll (*)	$ 9,655,673	$ 9,105,947	$ 8,841,635
Commission's net pension liability as a percentage of covered payroll	62.74%	61.80%	53.38%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2016.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions
For the Year Ended September 30, 2017

	2017	2016	2015	2014
Actuarially determined contribution (*)	$ 667,948	$ 633,275	$ 692,133	$ 696,986
Contributions in relation to the actuarially determined contribution	$ 667,948	$ 633,275	$ 692,133	$ 696,986
Contribution deficiency (excess)	$	$	$	$
Covered payroll (**)	$ 10,033,897	$ 9,655,673	$ 9,105,947	$ 8,841,635
Contributions as a percentage of covered-employee payroll	6.66%	6.56%	7.60%	7.88%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2017 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2017 (*)	$0	$23,987,092	$23,987,092	0.00%	$10,004,962	239.75%
09/30/2015 (*)	$0	$18,207,168	$18,207,168	0.00%	$ 9,600,004	189.66%
09/30/2013 (*)	$0	$15,957,355	$15,957,355	0.00%	$ 8,512,698	187.45%
09/30/2012 (*)	$0	$14,162,567	$14,162,567	0.00%	$ 6,524,347	217.07%

(*) Includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.

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Additional Information

Board Members and Administrative Personnel

October 1, 2016 through September 30, 2017

Commission Members		**Term Expires**
Hon. Peggy Martin	Chair	November 2020
Hon. Larry Screws	Vice-Chair	November 2020
Hon. Gentry Lee	Member	November 2020
Hon. Carl Currington	Member	November 2020
Hon. Tillman Pugh	Member	November 2016
Hon. Ronnie Reed	Member	November 2020
Hon. Cattie Epps	Member	November 2020
Hon. Chance Corbett	Member	November 2020
Administrative Personnel		
LeAnn Horne	County Administrator	February 5, 2021

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Russell County Commission and the County Administrator
Phenix City, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Russell County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Russell County Commission's basic financial statements, and have issued our report thereon dated July 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Russell County Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Russell County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Russell County Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Russell County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Russell County Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Russell County Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 13, 2021